

Message Text

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S/S-MR GAMMON

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FM SECSTATE WASHDC

TO AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EFIN ENRG JA UR

SUBJECT: ENERGY PROJECTS IN USSR

PLEASE PASS THE FOLLOWING MESSAGE FROM HENRY KEARNS, PRESIDENT
AND CHAIRMAN, EX-IM TO SATOSHI SUMITA, PRESIDENT, EXPORT-
IMPORT BANK OF JAPAN:

IN OUR AUGUST MEETING IN WASHINGTON WE AGREED TO KEEP EACH
OTHER ADVISED ABOUT OUR RESPECTIVE CONTACTS WITH USSR
CONCERNING FINANCIAL ASPECTS OF ENERGY PROJECTS IN USSR.
THIS MESSAGE SUMMARIZES MY DISCUSSIONS IN WASHINGTON OCTOBER
10, 1973, WITH SOVIET DELEGATION LED BY N.G. OSIPOV, VICE
MINISTER OF FOREIGN TRADE.

1. SOVIET GROUP SAID THEY UNDERSTOOD JAPAN AND U.S. AGREED

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EXPLORATORY PHASE OF YAKUTSK SHOULD PROCEED FIRST, BUT

URGED GENERAL FINANCIAL DISCUSSIONS ON OVER-ALL PROJECT WHILE EXPLORATION IN PROGRESS (1974-1976). WE EXPLAINED THAT EXPLORATORY PHASE INVOLVED FINDINGS, SUCH AS GAS RESERVES AND COSTS OF DELIVERY TO PORT, WHICH WERE BASIC DETERMINANTS OF WHETHER OR NOT OVER-ALL DEVELOPMENT WOULD PROCEED. THUS, WE SAID IT IS PREMATURE TO DISCUSS NOW ANYTHING BEYOND FINANCING EXPLORATORY PHASE.

2. SOVIET DELEGATION PRESENTED FOLLOWING ESTIMATES FOR FINANCING EXPLORATORY PHASE: TOTAL COST DOLS 400 MILLION EQUIVALENT; DOLS 250 MILLION EQUIVALENT DOMESTIC USSR FINANCING; DOLS 150 MILLION FOREIGN EXCHANGE COSTS OF WHICH DOLS 135 MILLION TO BE FOREIGN CREDITS. SOVIETS SUGGESTED JAPAN AND U.S. MIGHT EACH MAKE AVAILABLE DOLS 135 MILLION LINE OF CREDIT, AND USSR WOULD UTILIZE EACH LINE AS PURCHASES WERE MADE EITHER IN JAPAN OR U.S., BUT TOTAL FOREIGN PURCHASE IN JAPAN AND U.S. WOULD NOT EXCEED DOLS 150 MILLION, WITH GENERAL USSR OBJECTIVE TO DIVIDE THIS ROUGHTLY EQUALLY BETWEEN THE TWO COUNTRIES, DEPENDING ON AVAILABILITY OF EQUIPMENT IN EACH COUNTRY. THEY HOPED TO RECEIVE FOREIGN CREDIT COMMITMENTS BEFORE END 1973.

3. WE EXPLAINED GENERAL UNDERSTANDING BETWEEN YOUR BANK AND OURS TO COOPERATE RATHER THAN COMPETE WITH EACH OTHER IN THIS JOINT UNDERTAKING. WE ALSO REPEATED THAT WE COULD FINANCE ONLY EXPORTS FROM THE U.S. WE WOULD APPLY OUR NORMAL TERMS AND CONDITIONS, AND THESE MIGHT OR MIGHT NOT BE IDENTICAL WITH THOSE FROM JAPAN. WE TOLD THEM, AS WE HAD DISCUSSED IN WASHINGTON, THAT CREDIT WOULD BE SHORT TO MEDIUM-TERM, BUT WE WOULD INCLUDE EXPLORATORY PHASE OBLIGATION IN LONG-TERM CREDIT FOR LNG PROJECT IF REPEAT IF WE LATER MADE CREDIT FOR THE PROJECT. NO DISCUSSION OF INTEREST RATE.

4. WE STRESSED NEED FOR SPECIFIC INFORMATION FROM PARTICIPATING COMPANIES AS TO EQUIPMENT AND COSTS OF EXPLORATORY PHASE BEFORE WE COULD ACT ON ANY CREDIT APPLICATION. WE STATED THAT UNTIL THIS INFORMATION RECEIVED, IT WOULD BE PREMATURE FOR US TO INDICATE WHETHER WE COULD AGREE TO USSR PROPOSAL FOR CREDIT LINE FROM US AND FROM YOU AS STATED ABOVE, OR WHETHER WE WOULD PREFER TO AUTHORIZE CREDIT IN FIRST INSTANCE

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ONLY FOR AMOUNT OF ESTIMATED U.S. PURCHASES.

5. THROUGHOUT DISCUSSIONS WE STRESSED IMPORTANCE PROPER HANDLING YAKUTSK EXPLORATION PHASE. THESE ARRANGEMENTS WOULD SET PRECEDENTS FOR SUBSEQUENT OVER-ALL PROJECT IF IT PROCEEDED. LARGE SCALE AND POLITICAL SENSITIVITY OF OVER-ALL PROJECT REQUIRED ALL PARTIES IN THEIR OWN INTEREST TO PROCEED ON BASIS FULLEST INFORMATION AND CAREFUL JUDGMENTS.

I WOULD APPRECIATE YOUR ADVISING ME OF YOUR MOSCOW DISCUSSIONS
AS WELL AS MOST RECENT JAPANESE CONTACTS WITH USSE ON SUBJECT
FINANCING ENERGY PROJECTS IN USSR. KISSINGER

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TAGS: EFIN, ENRG, JA, UR
To: TOKYO
Type: TE
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